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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on organic production and labelling of organic products, amending Regulation (EU)
No XXX/XXX of the European Parliament and of the Council [Official controls
Regulation] and repealing Council Regulation (EC) No 834/2007**

{ COM(2014) 180 final }
{ SWD(2014) 65 final }

1. CONTEXT

This impact assessment has focused on:

- the performance of legislative tools, namely **Council Regulation (EC) No 834/2007¹ on organic production and labelling of organic products** and its implementing Regulations;
- the relevance of a **new Action Plan** for organic farming in the EU.

In Regulation (EC) No 834/2007, **the Council earmarked a series of issues** on which the Commission adopted a report² in May 2012. **The Council adopted conclusions³ on the report** in May 2013, calling for the organic farming sector to be developed at an ambitious level and for the current legal framework to be reviewed.

A special report⁴ of the **European Court of Auditors** showed a number of weaknesses in **the control system** for organic production and included recommendations for improvement.

The review of the organic farming legislation is part of the **Commission's Regulatory Fitness and Performance Programme (REFIT)**.⁵

The impact assessment was conducted with the support of an Inter-Service Steering Group in the Commission. The analysis is based on hearings of experts and organisations, the results of a **wide public consultation** (almost 45 000 replies) and targeted consultations, notably with Member States (MS) and the Advisory Group on Organic Farming.

2. PROBLEM DEFINITION

2.1. General problem and problem drivers

The overall objective of the current EU political and legislative framework is to ensure the sustainable development of organic production. Organic farming is expected to develop in line with the organic market in the EU. However, the organic market roughly increased fourfold between 1999 and 2011, but the EU's organic area only doubled in the decade 2000-2010. The difference between EU production and demand is covered by imports. The consequences are:

- Lost opportunities for EU producers,
- Risk of limitation to the organic market's expansion,
- Risk of limitation to the environmental benefits associated with organic farming.

¹ OJ L 189, 20.7.2007, p.1.

² COM(2012) 212 final.

³ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/137076.pdf

⁴ Special Report No 9/2012 - 26 June 2012.

⁵ COM(2012) 746 final.

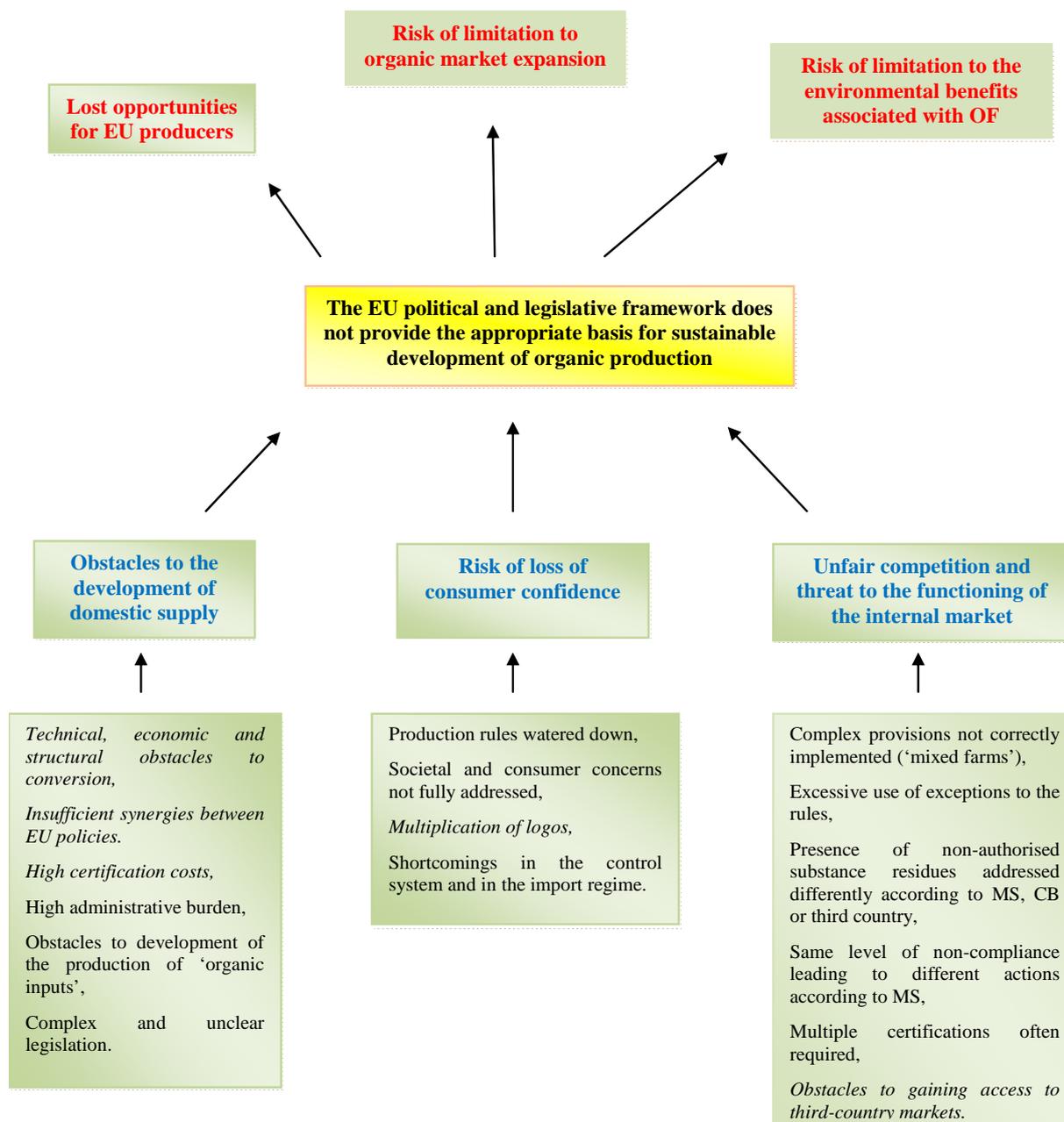
Insufficient conversion to organic farming is the main obstacle to the development of organic production in the EU. In other respects, plant varieties specifically selected in and for organic agriculture would be essential to increase organic production, but the current legislative framework is impeding development of the production of inputs, like seeds, in their organic forms.

The organic market has been built on consumer confidence, but it is at risk now. Organic production rules are watered down by exceptions and unclear provisions. The legislation does not address the environmental impact for the whole lifecycle of organic production. Some practices allowed by the current legislation ignore the requirement for a high level of animal welfare in organic production. The development of private schemes leads to a multiplication of logos competing with the EU organic logo, which is confusing to consumers. Instances of fraud are occurring as a result of shortcomings in the control system and in the import regime.

Fair competition among producers is not guaranteed and the functioning of the single market is not effective. Complex provisions, for instance concerning farms with parallel conventional production, are not properly implemented and enforced. The system of exceptions to the rules is abused by some MS. Multiple certification requirements that are necessary to have access to certain markets, and different approaches taken by MS in cases where non-authorised substance residues are found in organic products, disturb the functioning of the single market. The same level of non-compliance can lead to diverging actions in different MS. The regime of recognition of Control Bodies (CBs) based on equivalence is fuelling competition among CBs, leading to unfair competition for EU producers who, moreover, face obstacles to accessing third-country markets. The extent of the unfair competition could not be estimated.

The legislation is too complex and entails a high level of administrative burden. Many small farms are excluded from the organic sector because certification costs are too high and the administrative burden is too onerous.

Problem tree



Non-regulatory drivers are in italics.

2.2. Baseline scenario

The development of domestic supply will continue to be hampered, even if some economic obstacles can be addressed by new CAP instruments.

Consumer confidence is likely to be eroded, because the organic production rules are watered down and societal concerns are not fully reflected in those rules. This will fuel the creation of new schemes and logos competing with the EU one. Fraud is likely to occur. **The import regime will become even more complex** with the implementation of a compliance regime for control bodies from 2014.

Increasingly, organic producers will face unfair competition and the functioning of the single market will be jeopardised. In the EU, MS are not likely to get the necessary resources to correctly apply complex provisions and exceptions. In third countries, competition among CBs will lead to lowering of standards.

2.3. Analysis of the subsidiarity principle

The current exercise is an **updating of an existing scheme set within the CAP.**

Production and trading of agricultural products and foodstuffs on the internal market and ensuring the integrity of the internal market are EU competences shared with MS.

An EU-wide scheme on organics is more efficient than 28 different ones in the interests of smooth development of the single market and a consistent external trade policy.

Further harmonisation is needed in relation to exceptions to the rules and instances of non-compliance leading to removal of the organic status of a product.

3. OBJECTIVES

3.1. Specific policy objectives

- Removing obstacles to the development of organic production in the EU,
- Improving the legislation in order to guarantee fair competition and to improve the functioning of the single market,
- Maintaining consumer confidence.
- Simplification.

3.2. Operational objectives

- Defining clear and unambiguous production rules,
- Implementing a risk-based control system,
- Harmonising the approach in regard to presence of non-authorized substance residues in organic products,
- Simplifying administrative requirements particularly for small producers,
- Implementing a single and reliable system of recognition of control bodies in third countries,
- Establishing a balanced trade regime,

- Simplifying labelling rules,
- Integrating evolving societal concerns,
- Improving transparency and information on the sector and on organic trade.

4. POLICY OPTIONS

The presented options, based on different long-term visions for the organic sector, have been established in close cooperation with stakeholders and take into account the results of the public consultation, showing in particular that EU citizens would like environmental issues to be more fully taken into account, production rules to be further harmonised and strengthened, and exceptions to be ended.

4.1. Description of options

- **Option 1: improved status quo**

It includes **legislative measures**:

- to clarify the scope and some production rules;
- to slightly simplify labelling rules;
- to reinforce the control system (harmonised procedures where non-authorized substance residues are found in organic products; electronic certification integrated in an EU web-based database; clarification on accreditation of control bodies);
- to remove the import compliance regime.

These measures, considered as a minimum response to the identified issues, are also included under all other options.

- **Option 1.A: 1 + end of the possible exemption for retailers**
- **Option 2: market-driven option**

This option aims at providing the conditions that are needed to respond dynamically to further market developments thanks to less stringent rules. It includes:

- **legislative measures** to integrate as provisions of the EU Regulation current long-standing exceptional rules granted by MS and drafting of more readable production rules in a stand-alone document,
- **an Action Plan** defining a strategy for organic farming in order for the organic sector to quickly develop.
- **Option 2.A: 2 + systematic testing of organic products for the accidental presence of non-authorized substance residues**
- **Option 3: principle-driven option**

This option aims at re-focusing organic farming on its principles. It includes:

- **legislative measures** to strengthen the rules, notably by removing exceptions, to reinforce the risk-based approach of the control system by removing the annual mandatory inspection, and to replace equivalence by compliance in the CB import regime;
 - **an Action Plan** defining a strategy for organic farming in the EU. It includes actions to overcome technical production concerns as well as a specific export policy.
- **Option 3.A: 3 + obligation of measuring environmental performance for companies involved in processing and trade activities**
 - **Option 3.B: 3 + group certification**

4.2. Issues on which the Council asked for a report from the Commission:

- The need for harmonised EU rules for **organic food prepared by caterers** has not been demonstrated.
- The **provisions on GMOs** should remain unchanged, since they correspond to a balance between benefits and costs.
- The **functioning of the single market** has been globally addressed through the whole analysis.

4.3. Position of stakeholders

The main stakeholders of the organic sector, IFOAM EU and COPA-COGECA, started by supporting option 1, but their position has shifted towards option 3. Option 3 was in particular supported by Via Campesina, Slow Food and animal welfare organisations. Option 2 was supported mainly by Eurocommerce.

5. ASSESSMENT OF THE POLICY OPTIONS' IMPACTS

Due to the absence of reliable statistics, the assessment of the options is mainly qualitative.

5.1. Options 1 and 1.A

Most of the obstacles to the development of organic production remain. No significant impacts on the volumes of organic products on the market are expected. The functioning of the single market slightly improves, but a level playing field for producers is not achieved, because exceptions remain and the equivalence regime for the recognition of CBs continues to fuel competition among CBs.

Consumer confidence is improved but only in the short term because the main societal and consumer concerns are not addressed. The risk of fraud is reduced thanks to electronic certification. Private schemes and logos continue to multiply.

Option 1A is expected to further reduce the risk of fraud.

5.2. Options 2 and 2.A

Few obstacles to the development of organic production are removed. The integration of exceptions as permanent rules in the legislation leads to more flexible rules and to an increase in conversions to organic at the beginning of the period. Prices paid to the producers decline, mainly because of high competition from imports. The sector becomes progressively less attractive. Fair competition is improved on the internal market with the integration of exceptions as permanent rules, equally accessible to all producers. However, unfair competition with imported products persists.

Consumer confidence is likely to be eroded because production rules are watered down and new schemes and logos multiply, fuelling confusion.

Since production rules are less stringent, third countries are more reluctant to recognise the EU as equivalent and some concluded agreements/arrangements with third countries can be questioned.

Option 2.A improves consumer confidence but entails significant costs for producers.

5.3. Option 3

Many obstacles to the development of organic production are removed. Organic farmers fully applying organic principles (not using derogations) are more inclined to remain in the sector. The ending of exceptions boosts the organic inputs, notably organic chicks and seeds. Competition from imported products should decrease. Fair competition improves thanks to the ending of exceptions and the application of compliance by third countries' producers under the CB regime.

Consumer confidence improves thanks to stricter rules. Fewer private schemes and logos can compete with the EU organic logo.

Higher production costs could result in increased consumer prices for organic products, which could make them less attainable for lower-income consumers, leading to a contraction of the market, but limited to the short term.

Existing equivalence arrangements with recognised countries have to be reviewed in order to maintain a level playing field for EU producers.

Option 3.A improves consumer confidence, because it addresses environmental concerns. It has positive environmental impacts, but entails administrative burden for processors and traders.

Option 3.B removes additional obstacles to the development of organic production in the EU.

5.4. Simplification

Simplification would be achieved in all options thanks to clearer provisions on scope, production rules, labelling and controls. Ineffective provisions would be removed mostly in options 3, 3.A and 3.B (end of mixed farms and reinforcement of the risk-based approach to controls). Options 2, 2.A, 3, 3.A and 3.B would simplify decision-taking on possible exceptions. The compliance regime for CBs would be easier to manage than equivalency (3, 3.A and 3.B). Simplification for small producers is achieved with more suitable and specific organic register-keeping requirements (all options) and group

certification (3.B). Exemption from controls would not be compatible with the requirements of product certification.

The current legislation imposes 135 information obligations involving administrative costs, including 80 on operators (depending on the type of operation), 41 on national administrations and 11 on control bodies. The most burdensome obligations for MS are: to provide statistical data; the report on authorisations of non-organic seeds; to publish up-to-date lists of operators; for operators: to keep documentary evidence on the use of (authorised) plant protection products and fertilisers and on (possible) coexistence of organic and conventional production, specific registers of livestock records; control arrangements.

In options 1 and 1.A, the level of administrative costs would remain the same, while significant savings could be made in options 2, 2.A, 3, 3.A and 3.B, with respectively 34 and 37 information obligations disappearing, mostly thanks to the ending of exceptions and less record-keeping and reporting.

6. COMPARISON OF OPTIONS AND CONCLUSIONS

6.1. Comparison of the impacts of the options

Options		1	1.A	2	2.A	3	3.A	3.B
Socio-economic impacts	Market development	+	++	++	+++	++	+++	++
	Organic land area and number of farms	+	+	++	++	++	++	+++
	Organic farm employment	+	+	++	++	++	++	+++
	Farm income	0	0	-	+	+	+	+
	Integration of small farms	-	-	--	---	0	0	+++
	Rural development	+	+	+	+	++	++	+++
	Processors	+	+	++	++	++	++	++
	Importers	+	+	+++	++	+	+	+
Environment	Sector of 'organic inputs'	0	0	---	---	+++	+++	+++
	Biodiversity, water quality, soil quality	+	+	+	++	++	++	+++
	Animal welfare	0	0	-	-	++	++	++

6.2. Comparison of the potential of each of the options to meet the specific objectives of the reform:

Options	to remove obstacles to the development of organic production in the EU	to improve the legislation to guarantee fair competition and to improve the functioning of the internal market	to maintain consumer confidence in organic products
Option 1	0	+	+
Option 1.A	0	+	+
Option 2	+	++	++
Option 2.A	+	++	+++
Option 3	++	+++	+++
Option 3.A	++	+++	+++
Option 3.B	+++	+++	++

In the light of the assessment, the specific policy objectives are better ensured through option 3.B or 3.A, followed by 3, 2.A and 2.

7. MONITORING OF THE POLICY

- Results indicators (CAP): share of organic area in total utilised agricultural area; share of organic livestock in total livestock.
- Output indicators (CAP): organic land area; number of certified organic operators.
- Additional indicators on livestock, crop production and processing, exceptions, knowledge of the EU organic logo.